BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

FILED
10-06-14
04:59 PM

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769	R.14-08-013 August 14, 2014

REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON ORDER INSTITUTING RULEMAKING

Donald C. Liddell
DOUGLASS & LIDDELL
2928 2nd Avenue
San Diego, California 92103
Telephone: (619) 993-9096
Facsimile: (619) 296-4662
Email: liddell@energyattorney.com

Attorney for the
CALIFORNIA ENERGY STORAGE ALLIANCE

October 6, 2014

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769	R.14-08-013 August 14, 2014

REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON ORDER INSTITUTING RULEMAKING

The California Energy Storage Alliance ("CESA") [1] hereby submits these reply comments pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), and the *Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769*, filed on August 14, 2014 ("OIR"). CESA's reply comments are filed

[1] The California Energy Storage Alliance consists of 1 Energy Systems Inc., AES Energy Storage, Alton Energy, American Vanadium, Aquion Energy, ARES North America, Beacon Power, LLC, Bosch Energy Storage Solutions Company LLC, Bright Energy Storage Technologies, Brookfield, CALMAC, Chargepoint, Clean Energy Systems, Coda Energy, Consolidated Edison Development, Inc., Cumulus Energy Storage, Customized Energy Solutions, Demand Energy, DN Tanks, Duke Energy, Eagle Crest Energy Company, EaglePicher Technologies, LLC, East Penn Manufacturing Company, Ecoult, EDF Renewable Energy, Enersys, EnerVault Corporation, EV Grid, FAFCO Thermal Storage Systems, FIAMM Energy Storage Solutions, Flextronics, Foresight Renewable Solutions, GE Energy Storage, Green Charge Networks, Greensmith Energy, Gridscape Solutions, Gridtential Energy, Inc., Halotechnics, Hitachi Chemical Co., Hydrogenics, Ice Energy, Imergy Power Systems, ImMODO Energy Services Corporation, Innovation Core SEI, Inc. (A Sumitomo Electric Company), Invenergy LLC, K&L Gates, KYOCERA Solar, Inc., LG Chem, LightSail Energy, LS Power Development, LLC, Mitsubishi International Corporation, NEC Energy Solutions, Inc., NextEra Energy Resources, NRG Solar LLC, OCI, OutBack Power Technologies, Panasonic, Parker Hannifin Corporation, PDE Total Energy Solutions, Powertree Services Inc., Primus Power Corporation, Recurrent Energy, Renewable Energy Systems Americas Inc., Rosendin Electric, S&C Electric Company, Saft America Inc., Samsung, SEEO, Sharp Electronics Corporation, Energy Systems and Services Group, SolarCity, Sony Corporation of America, Sovereign Energy Storage LLC, STEM, Stoel Rives, SunEdison, SunPower, TAS Energy, Tri-Technic, Trimark Associates, Inc., UniEnergy Technologies, LLC, and Wellhead Electric. The views expressed in these Comments are those of CESA, and do not necessarily reflect the views of all of the individual CESA member companies. http://storagealliance.org

timely in accordance with the E-mail Ruling issued by Administrative Law Judge David M. Gamson, issued on September 19, 2014.

I. INTRODUCTION.

The objective of the OIR is to "establish policies, procedures, and rules to guide California's investor owned utilities ("IOUs") in developing and filing their Distribution Resources Plan Proposals ("DRPs") by July 1, 2015 as required by Public Utilities Code Section 769 "as appropriate to minimize overall system costs and maximize ratepayer benefit from investments in distributed resources."[2] The DRPs should therefore explicitly focus on how the IOUs intend to improve overall electricity system efficiency, and thus ensure an affordable grid for all California ratepayers. To attain the outcome intended by the legislature, CESA recommends establishment of system level outcomes that can be tracked before, during and after implementation of the DRPs to ensure that distribution system efficiency is improved, and cost reduced.

The New York Department of Public Service Staff Proposal, *Reforming the Energy Vision* ("New York REV") is a widely discussed source of useful information to be considered in this OIR.[3] An instructive finding of the New York REV regarding benefits of increasing its system efficiency goal is that if the 100 hours of greatest peak demand were flattened, long-term avoided capacity and energy savings would range between $1.2 billion and $1.7 billion per

[2] Public Utilities (P.U.) Code Section 769(c), *and see* OIR, p. 3

[3] *Reforming the Energy Vision*, NYS Department of Public Service Staff Proposal, (Case 14M-01-1), April 24, 2014.

year. Merely increasing the system load factor from 55% to 56% would produce potential gross benefits of $150 million to $219 million per year.[4]

As the current state of IOU distribution networks and different future scenarios are better understood, it is likely that opportunities for intelligently updating the distribution system across all IOU's as an interactive *platform* for utilizing distributed energy resources ("DERs") and other strategies to increase system optimization will emerge. This may include integration of communication systems, telemetry, metering and monitoring , advances in mapping and geographic data, and other innovations/intelligent devices (such as energy storage) with the distribution management system to optimize the system overall.

Thus, CESA recommends that the Commission explicitly include additional criteria to guide the IOU's development of DRPs which include a close look at how they can harmonize and standardize their distribution management systems as much as possible to enable transparent data access and information to allow cost-effective DER implementation that result in greater system efficiency. Additionally, the IOUs should be required to develop metrics for system outcomes such as load factor, system peak reduction, and reliability to ensure that California's ratepayer needs are being met in the aggregate.

II. REPLY TO RESPONSES.

A. Southern California Edison.

CESA disagrees with SCE's narrow interpretation that optimal location for DERs should be based solely on the underlying cost-benefit analysis of the specific DER in question. The

[4] This estimate was derived from 2013 hourly load data, calculated for each load zone, assuming a combination of energy reduction and load shifting and calculating benefits based on avoided generation capacity, avoided T&D investment, and avoided energy payments including line losses. This estimate is more current than the one cited in the New York REV, and varies by including avoided T&D investment as well as an assumption of energy reduction in addition to load shifting.

reason for this is that such a narrow focus would necessarily miss important system benefits of DERs and system benefits for ratepayers.[5] CESA certainly shares TURN's concern that "it would be a mistake to understand this section [769] as an invitation for the IOUs to propose massive new expenditures for the sole purpose of maximizing deployment of DERs."[6] Developing methodologies for "determining the net value (or net cost) associated with the deployment of various types of DERs on specific distribution circuits" will undoubtedly be helpful, as suggested by several parties. CESA cautions the Commission not to be over-narrow in its benefit/cost deliberations and "miss the forest by focusing only on one tree." In other words, it is absolutely *critical* to look at the total system benefits of a more intelligent, proactive distribution network.

CESA also disagrees with SCE's recommendation that there ought to be utility capital projects that "can be relied upon as a backstop" in the event that a "DER project is relied upon for system reliability in lieu of a traditional capital investment."[7] This recommendation pre-supposes the outcome, that DERs cannot provide reliability benefits, and would therefore limit the potential use of, any benefit of DERs in SCE's resulting DRP. At this stage, it is critical that all underlying assumptions must be tested and all parties are encouraged to "think out of the box."

[5] "Optimal location criteria should focus on the primary underlying cost-benefit analysis: (1) the costs saved by the deferral of a traditional capital investment in the distribution system, compared to (2) the costs associated with the DER that allows such deferral. This will entail identification of optimal locations for DERs, which can supplement the existing distribution planning process. *SCE Response*, p. 4, Fn. 2.

[6] *TURN Comments*, p. 2.

[7] ". . . SCE believes that where a DER project is relied upon for system reliability in lieu of a traditional capital investment, there should also be a parallel identification of a utility capital project that can be relied upon as a backstop." *SCE Comments*, p. 4.

Finally, CESA disagrees with SCE that "questions regarding ownership are beyond the scope of the DRP, as outlined in P. U. Code Section 769."[8] P.U. Code Section 353.5 explicitly calls on the IOUs to consider purchase of services for distribution reliability purposes from third parties. However, CESA does recognize that discussion of ownership early on has the potential to "distract from moving the DRP forward in the most constructive fashion." Given, this, it would be prudent for the Commission to not presume any ownership outcome or fundamental assumptions at this early stage that *presupposes* solely IOU ownership (another reason CESA disagrees with SCE's suggestion above).

B. Pacific Gas and Electric.

CESA disagrees with Pacific Gas and Electric Company's ("PG&E's") position that prospective investments be evaluated solely through the utilities' respective General Rate Cases ("GRCs"): ". . . . the Rulemaking should evaluate and establish a consistent methodology for calculating the costs and benefits of distributed resources at various locations on the distribution systems. Then, upon Commission approval of the utilities' DRPs, the utilities' respective General Rate Case and tariff filings will include prospective investments in the distribution systems that may enhance the benefits provided by distributed resources as well as streamline the processes for integrating distributed resources into the grid."[9]

[8] "Questions regarding ownership are beyond the scope of the DRP, as outlined in Pub. Utils. Code Section 769 and can only serve to distract from moving the DRP forward in the most constructive fashion." *Idem*, p.16.

[9] "Each utility's general rate cases are the appropriate forum for determining the equitable and fair allocation of the costs and benefits of DERs between DER owning customers and other customers." *PG&E Response*, p. 2.

The problem with PG&E's position is that specific policy goals are more often than not buried in the huge scope and volume of information included in GRCs.[10] Further, this approach assumes that all investments will be IOU-owned. A better approach would be to have metrics applied to approved efforts by means of specific IOU applications coupled with balancing accounts – this would allow for greater flexibility in alternative ownership models.

C. San Diego Gas & Electric.

CESA fundamentally agrees with San Diego Gas & Electric Company's ("SDG&E) statement that, "At present, there is no rate mechanism in place for compensating DERs for distribution system benefits, although SDG&E has a Commission approved form contract that allows SDG&E to compensate third parties for identified capacity deferral benefits. That said, SDG&E believes that utilities should be compensated for the services the utility provides to customers, and that DERs should be compensated for the services provided by DERs. Rate reform is essential to ensure this is accomplished."[11] In addition to rate reform, CESA would like to respectfully encourage the Commission and the IOUs to consider creative new long-term contracting mechanisms for services provided by customer-owned and third party-owned behind the meter systems to support the distribution grid. Already behind the meter resources are providing ancillary services to the wholesale market – it is entirely possible for behind the meter resources to also contractually provide dispatchable services for shared assets (such as energy storage) from behind the meter.

SDG&E's statement also raises an issue present in a number of Responses and Comments filed by parties highlighting the fact that where a particular DER-related policy issue

[10] A case in point is the fate of the SDG&E' most recent GRC in which energy storage projects authorized in the Smart Grid Rulemaking (R.08-12-009), were almost disallowed because they were a very minute part of a very lengthy and complex decision.

[11] *SDG&E Response*, p. 8.

is addressed in any one of several active Commission dockets may very well have an important, but as yet unknowable, influence on the focus applied to the specific policy issue elsewhere. For example, there are likely to be many overlapping and related issues that span this proceeding as well as Demand Response (R.13-09-011), Self-Generation Incentive Program (R.12-11-005), Distributed Generation and Storage Interconnection (R.11-09-011) and the new Integrated Demand Side Management Rulemaking filed by the Commission on October 2, 2014. CESA urges the Commission to create a mechanism for addressing areas of overlap and resulting inefficiency in the regulatory process itself for the sake of all parties.

III. CONCLUSION.

CESA appreciates this opportunity to reply to parties' initial reactions to the OIR, and looks forward to working with the Commission and stakeholders in this proceeding.

Respectfully submitted,

Donald C. Liddell
DOUGLASS & LIDDELL
2928 2nd Avenue
San Diego, California 92103
Telephone:(619) 993-9096
Facsimile: (619) 296-4662
Email: liddell@energyattorney.com

Attorney for the
CALIFORNIA ENERGY STORAGE ALLIANCE

Date: October 6, 2014